

The Recovery In Financials

S&P 500 Financials Index & Various Subsectors

S&P 500 Indices	All-Time High (Date)	% Off High Value As of 9/28/18
Property & Casualty	9/20/18	-2.89%
Insurance Brokers	9/21/18	-3.08%
Consumer Finance	9/20/18	-4.57%
Diversified Banks	1/26/18	-9.79%
Financials (Sector Index)	2/20/07	-10.08%
Life & Health Insurance	1/26/18	-15.14%
Regional Banks	2/20/07	-15.96%
Asset Management & Custody Banks	1/26/18	-18.51%

Source: Bloomberg. Past performance is no guarantee of future results.

View from the Observation Deck

1. Financial companies have been in recovery mode since the 2008-2009 financial crisis. As indicated in the chart, some financial industries have fared better than others in that process.
2. The plunge in the S&P 500 Financials Index was severe during the crisis. From peak/all-time high (2/20/07) to trough (3/6/09), the index declined 84.0% on a price-only basis (dividends not included), according to Bloomberg.
3. As indicated in the table, the S&P 500 Financials Index closed September 10.08% below its all-time high set on 2/20/07. An indication that the bulk of the recovery is behind us.
4. The S&P 500 Regional Banks Index is the only subsector featured in the table that has yet to set a new all-time high in 2018. We believe, however, that one of the more upbeat developments for banking institutions moving forward is their rising dividend payouts.
5. In 2007, the S&P 500 Regional Banks Index distributed \$4.89 per share in dividends, according to Bloomberg. That figure fell to \$0.52 per share in 2010 (post financial crisis). As of 10/2/18, Bloomberg's dividend payout estimates for 2018, 2019 and 2020 were \$2.90, \$3.53 and \$3.98 per share, respectively.
6. The S&P 500 Index (not in table) set its latest all-time high on 9/20/18 at 2,930.75, according to Bloomberg. As of 10/1/18, it stood just 0.21% below that high. Equity investors seeking value in today's market may find it in financial stocks, particularly bank stocks, in our opinion.
7. Investors funneled an estimated net \$5.49 billion into Financial equity mutual funds and exchange-traded funds for the 12-month period ended 8/31/18, according to Morningstar.

This chart is for illustrative purposes only and not indicative of any actual investment. There can be no assurance that any of the projections cited will occur. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Financials Index is a capitalization-weighted index comprised of U.S. financial companies in the S&P 500 Index. The S&P 500 Financial Index Subsector Indices are capitalization-weighted and comprised of S&P 500 constituents representing a specific financial subsector. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks (currently 505) used to measure large-cap U.S. stock market performance.

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